

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

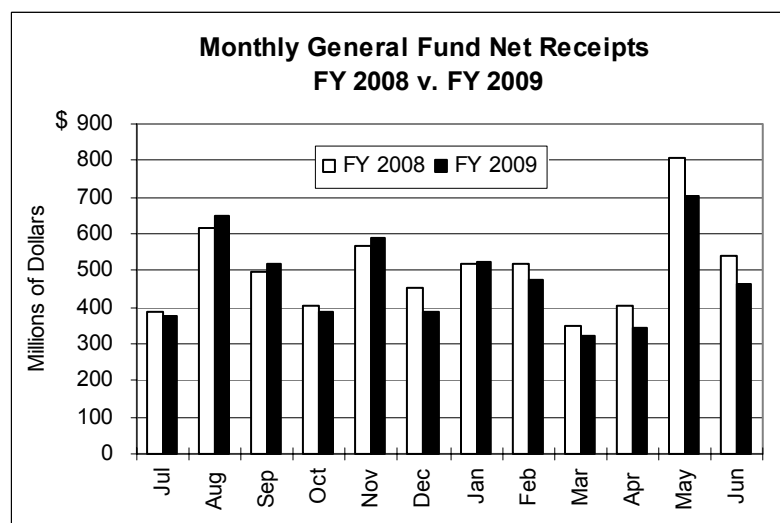
FROM: Jeff Robinson and Shawn Snyder

DATE: July 1, 2009

Monthly General Fund Receipts through June 30, 2009

The attached spreadsheet presents FY 2009 General Fund total net receipts with comparable figures for actual FY 2008. The figures can be compared to the FY 2009 estimate of \$5.862 billion set by the Revenue Estimating Conference (REC) on March 20, 2009. The next REC meeting has not been scheduled.

Actual FY 2009 cash gross receipt growth was \$203.2 million, \$57.7 million less than the gross cash revenue increase projected by the REC. Fiscal year 2009 receipts will continue to be deposited and final gross fiscal revenue growth will not be known until the end of September. Fiscal year-to-date tax refunds issued for FY 2009 have exceeded projections and are contributing to a net revenue shortfall for the fiscal year. Refunds are discussed later in this memo; with regular refund growth currently \$72.3 million above REC projections and school infrastructure refund transfers are projected to exceed REC estimates by \$31.0 million.



FY 2009 Compared to FY 2008 – Cash Net Revenue

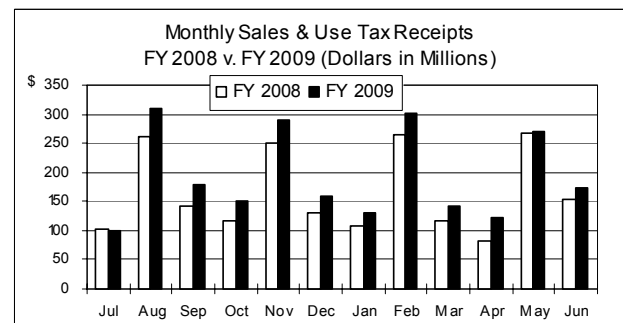
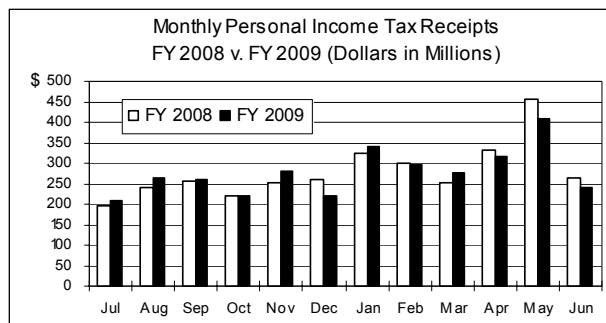
Cash FY 2009 total net receipts (excluding transfers) decreased \$320.5 million (- 5.3%) compared to FY 2008. Major sources and their contribution to the FY 2009 change include:

- Personal income tax (negative \$29.0 million, - 0.9%)

- Sales/use tax (positive \$327.2 million, 16.4%)
- Corporate tax (negative \$67.3 million, - 13.9%)
- Other taxes (negative \$39.0 million, - 7.9%)
- Other receipts (positive \$11.0 million, 3.0%)
- Tax refunds not including school infrastructure refunds (negative \$173.4 million)
- School infrastructure sales/use tax refunds (negative \$350.3 million)

Personal Income Tax revenues received in June totaled \$241.1 million, a decrease of \$23.5 million (- 8.9%) compared to June 2008. Withholding payments were impacted negatively by approximately \$10.0 million due to one less pay period when comparing June this year to the previous year. The impact on withholding payments reverses a positive impact shown in May.

The FY 2009 REC income tax estimate of \$3.363 billion represents a projected increase of 0.1% compared to actual FY 2008. For the year, total income tax receipts decreased 0.9%. By subcategory, withholding payments increased by \$56.2 million (2.3%), estimate payments decreased \$38.6 million (- 8.7%), and payments with returns decreased by \$46.6 million (-11.1%). The following chart compares total FY 2009 monthly income tax receipts from the three personal income tax subcategories with FY 2008.



Sales/Use Tax receipts received in June totaled \$173.9 million, an increase of \$19.4 million (12.6%) compared to June 2008. The State sales/use tax rate was increased from 5.0% to 6.0% beginning July 1, 2008, with the increase replacing the School Infrastructure Local Option (SILO) sales tax. Beginning in August 2008, sales/use gross tax receipts were no longer adjusted for SILO sales tax payments to school districts. This change is the reason for the strong sales/use tax increase in FY 2009.

The REC estimate for FY 2009 sales/use tax receipts is \$2.355 billion, an increase of 17.7% compared to actual FY 2008. For the year, total gross sales/use tax receipts increased 16.4%. The preceding chart compares FY 2009 monthly sales/use tax receipts with FY 2008.

Corporate Tax receipts received in June totaled \$53.5 million, a decrease of \$10.5 million (- 16.4%) compared to June 2008.

The REC estimate for FY 2009 corporate tax revenue is \$407.3 million, a decrease of 15.8% compared to actual FY 2008. For the year, total corporate tax revenue decreased 13.9%.

Other tax receipts received in June totaled \$50.2 million, a decrease of \$16.3 million (- 24.5%) compared to June 2008. Cigarette tax revenue was down \$3.0 million for the month, and the use of tax credits significantly reduced Insurance Premium tax revenue when companies filed their first pre-payment for calendar year 2009 taxes (due June 1).

The REC estimate for other tax revenue is \$479.3 million, a decrease of 3.0% compared to actual FY 2008. For the year, other tax revenue decreased 7.9%.

Other receipts (non-tax receipts) received in June totaled \$34.8 million, an increase of \$7.5 million (27.5%) compared to June 2008. A transfer from the Unclaimed Property Fund and an additional monthly transfer from the Liquor Control Fund accounted for the June increase.

The REC estimate for FY 2009 other receipts revenue is \$374.4 million, a decrease of 1.7% compared to actual FY 2008. For the year, other receipts increased 2.9%.

Tax Refunds issued in June totaled \$56.7 million, an increase of \$18.2 million (47.3%) compared to June 2008. In addition, school infrastructure refund transfers totaled \$30.8 million in June.

Cash year 2009 tax refunds issued total \$832.3 million, \$173.4 million (26.3%) above the cash year amount last year. In addition, school infrastructure refunds totaled \$350.3 million.

The REC estimate for both regular tax refunds and school infrastructure refund transfers are made on a fiscal year basis. This essentially translates to a September 1, through August 31 calendar. The REC fiscal year estimate projects regular refund growth will be \$85.2 million for the FY 2009. Through June, the growth is \$157.5 million, \$72.3 million above projection. Final regular refund growth will not be known for at least two months.

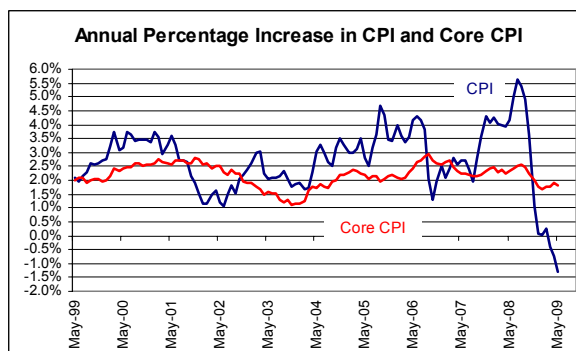
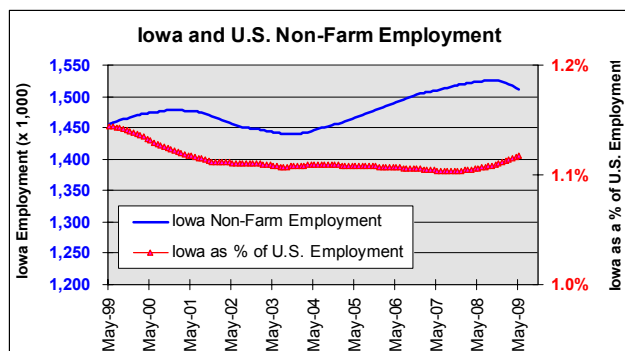
Fiscal year 2009 is the first year for school infrastructure refund transfers from the General Fund. The FY 2009 REC estimate for the transfers is \$357.5 million. Through June, the transfers totaled \$350.3 million. There are additional transfers from the General Fund in July that will be charged to FY 2009 with an approximate total of \$38 million.

Status of the Economy

Iowa non-farm employment was reported at 1,501,400 for the month of May (not seasonally adjusted), 43,900 lower (- 2.8%) than May 2008.

Iowa's 12-month average employment is presented in a graph below. The average non-farm employment pre-2001 recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The 12-month average peaked again in October 2008 at 1,525,400, 46,700 above the 2001 peak and 85,500 above the recession low. The current 12-month average reading is now 1,510,600, so annual average Iowa non-farm employment is 14,800 below the October 2008 peak.

The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since June 2008 as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices increased 0.3% during May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2009 was 213.9 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at negative 1.3%, the third consecutive month the annual rate was negative and the lowest rate since January 1950.

Core CPI, an inflation measure excluding food and energy expenditures, decreased slightly in May and stands at 1.8%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for six months. For the two components excluded from the core rate, energy prices are down 27.3% year-over-year while food prices are up 2.7%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2008 vs. FY 2009 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 08 Actual Compared to FY 09 REC Estimate		
	FY 2008	FY 2009	Year to Date % Change	June % Change	Actual FY 2008	Estimate FY 2009	Projected % Change
Personal Income Tax	\$ 3,359.7	\$ 3,330.7	-0.9%	-8.9%	\$ 3,359.7	\$ 3,363.1	0.1%
Sales/Use Tax	2,000.2	2,327.4	16.4%	12.6%	2,000.2	2,355.1	17.7%
Corporate Income Tax	483.8	416.5	-13.9%	-16.4%	483.8	407.3	-15.8%
Inheritance Tax	78.4	75.4	-3.8%	-20.9%	78.4	78.4	0.0%
Insurance Premium Tax	111.7	90.0	-19.4%	-43.1%	111.7	112.9	1.1%
Cigarette Tax	229.5	215.8	-6.0%	-13.8%	229.5	217.0	-5.4%
Tobacco Tax	21.2	23.0	8.5%	-17.6%	21.2	21.8	2.8%
Beer Tax	14.5	14.7	1.4%	0.0%	14.5	14.7	1.4%
Franchise Tax	37.6	33.6	-10.6%	-14.8%	37.6	33.5	-10.9%
Miscellaneous Tax	1.0	2.4	140.0%	1300.0%	1.0	1.0	0.0%
Total Special Taxes	\$ 6,337.5	\$ 6,529.6	3.0%	-5.6%	\$ 6,337.5	\$ 6,604.8	4.2%
Institutional Payments	14.9	15.4	3.4%	-26.7%	14.9	13.7	-8.1%
Liquor Profits	72.4	85.5	18.1%	65.3%	72.4	81.6	12.7%
Interest	25.3	14.6	-42.3%	-75.0%	25.3	14.7	-41.9%
Fees	82.1	77.7	-5.4%	-35.3%	82.1	71.6	-12.8%
Judicial Revenue	90.0	98.8	9.8%	9.2%	90.0	93.3	3.7%
Miscellaneous Receipts	36.1	39.8	10.2%	204.2%	36.1	39.5	9.4%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 6,718.3	\$ 6,921.5	3.0%	-4.0%	\$ 6,718.3	\$ 6,979.2	3.9%
Accrued Revenue-Net					-24.0	-0.1	
Tax Refunds *	-658.9	-832.3	26.3%	47.3%	-674.8	-760.0	12.6%
School Infrast. Refunds *	0.0	-350.3			0.0	-357.5	
TOTAL NET RECEIPTS	\$ 6,059.4	\$ 5,738.9	-5.3%	-13.4%	\$ 6,019.5	\$ 5,861.6	-2.6%
* For FY 2008 and FY 2009 Year-to-Date, refunds are listed on a cash basis. For FY 2008 Actual and FY 2009 Estimate, refunds are listed on a fiscal year basis.							